

STAND. COM. REP. NO. 3045

Honolulu, Hawaii

MAR 21 2014

RE: H.B. No. 1974
H.D. 2

Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Madam:

Your Committee on Judiciary and Labor, to which was referred
H.B. No. 1974, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO WORKERS' COMPENSATION MEDICAL
FEE SCHEDULE, "

begs leave to report as follows:

The purpose and intent of this measure is to implement the
recommendations of Auditor's Report No. 13-10 by:

- (1) Requiring the Director of Labor and Industrial Relations to update the workers' compensation medical fee schedule annually;
- (2) Authorizing the Director of Labor and Industrial Relations to establish a maximum allowable fee ceiling that is higher than one hundred ten percent of fees prescribed in the Medicare Resource Based Relative Value Scale (Medicare fee schedule) applicable to Hawaii for Evaluation and Management (E/M) medical services;
- (3) Appropriating an unspecified amount for fiscal year 2014-2015 for the Department of Labor and Industrial Relations to contract for an analysis of the impact this measure will have on workers' compensation claimants' access to appropriate treatment;



- (4) Appropriating an unspecified amount for fiscal year 2014-2015 for two full-time equivalent positions for the Department of Labor and Industrial Relations; and
- (5) Establishing a sunset date of June 30, 2019.

Your Committee received testimony in support of this measure from the Department of Labor and Industrial Relations; Office of the Auditor; Hawaii Medical Association; International Longshore and Warehouse Union, Local 142; Work Injury Medical Association of Hawaii; Kaiser Permanente Hawaii; and one individual. Your Committee received testimony in opposition to this measure from the Hawaii Insurers Council, Chamber of Commerce Hawaii, National Association of Mutual Insurance Companies, and Property Casualty Insurers Association of America. Your Committee received comments on this measure from the Department of Human Resources Development and Department of Human Resources of the City and County of Honolulu.

Your Committee finds that the liability of an employer for medical care, services, and supplies is limited to charges up to one hundred ten percent of the federal Medicare fee schedule applicable to Hawaii. The Director of Labor and Industrial Relations uses the Medicare fee schedule to determine the charges for medical care and services in workers' compensation claims and is required to update the workers' compensation medical fee schedule and any additional fee schedules at least once every three years. The growing disparity between declining reimbursement rates, based on the fee schedules, and increasing health care costs for providers has resulted in fewer and fewer providers choosing to treat injured workers, especially on the neighbor islands.

Your Committee further finds that Act 97, Session Laws of Hawaii 2013, requested the Auditor to assist the Department of Labor and Industrial Relations to create a methodology to administratively adjust the State's workers' compensation medical fee schedule. The purpose of this methodology is to identify health care services for which fee adjustments are needed and provide injured employees with better access to treatment.

As a result, the Auditor made several recommendations under Auditor's Report No. 13-10 for the Department of Labor and Industrial Relations, including the adoption of a methodology that collects and analyzes transacted current procedural terminology




code data and the establishment of a second maximum allowable fee ceiling that would only be applicable to E/M medical services that have been identified by stakeholders as applicable to workers' compensation cases. Furthermore, the Auditor proposed several actions for consideration by the Legislature, including empowering the Director of Labor and Industrial Relations to establish a maximum allowable fee ceiling for eligible E/M codes. This measure implements the recommendations made by the Auditor.

Your Committee notes the concerns raised in testimony regarding the link between workers' compensation medical fee schedules and automobile insurance claims established under section 431:10C-308.5, Hawaii Revised Statutes. Your Committee believes that this link merits further discussion by your Committee on Ways and Means.

As affirmed by the record of votes of the members of your Committee on Judiciary and Labor that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1974, H.D. 2, and recommends that it pass Second Reading and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Judiciary and
Labor,



CLAYTON HEE, Chair



The Senate
Twenty-Seventh Legislature
State of Hawai'i

Record of Votes
Committee on Judiciary and Labor
JDL

Bill / Resolution No.:* HB 1974, HD2	Committee Referral: JDL, WAM	Date: 3/11/14		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <div style="display: flex; justify-content: space-between;"> <div><input checked="" type="checkbox"/> Pass, unamended 2312</div> <div><input type="checkbox"/> Pass, with amendments 2311</div> <div><input type="checkbox"/> Hold 2310</div> <div><input type="checkbox"/> Recommit 2313</div> </div>				
Members	Aye	Aye (WR)	Nay	Excused
HEE, Clayton (C)	✓			
SHIMABUKURO, Maile S.L. (VC)				✓
GABBARD, Mike	✓			
GALUTERIA, Brickwood				✓
IHARA, Jr., Les				✓
SOLOMON, Malama	✓			
SLOM, Sam		✓		
TOTAL	3	1	—	3
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
<div style="display: flex; justify-content: space-between;"> <div> Distribution: Original File with Committee Report </div> <div> Yellow Clerk's Office </div> <div> Pink Drafting Agency </div> <div> Goldenrod Committee File Copy </div> </div>				

***Only one measure per Record of Votes**